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File *Security 5-1*

22 Dec 77

Honorable Morgan F. Murphy, Chairman
Subcommittee on Legislation
Permanent Select Committee on
Intelligence
House of Representatives
Washington, D. C. 20515

Dear Mr. Chairman:

Attached are our replies to the questions sent to us by your letter of 10 November 1977. The responses to some questions have included classified information and we have, therefore, stamped individual pages as appropriate.

In addition, we are, at the request of your staff, forwarding our comments on certain matters which Congressman Samuel A. Stratton brought to the attention of your Committee on 2 November 1977. These comments are unclassified.

I wish to express our appreciation for the opportunity to furnish this information to the Committee.

Sincerely,

15/

John F. Blake
Acting Deputy Director

Attachments

This document is unclassified
when separated from attachments.

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15 DEC 1977

Acting Director of Personnel

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Concur:

Office of Legislative Counsel

DD/Pers/SP [redacted] mem (15 Dec 77)

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Notes from the Director No. 17

14 December 1977

STATEMENT ON DDO REDUCTION

I have been requested by several committees of Congress to provide background information on the personnel reduction in the DDO. The statement which I provided in response to those requests is printed in its entirety below for the information of all CIA personnel.

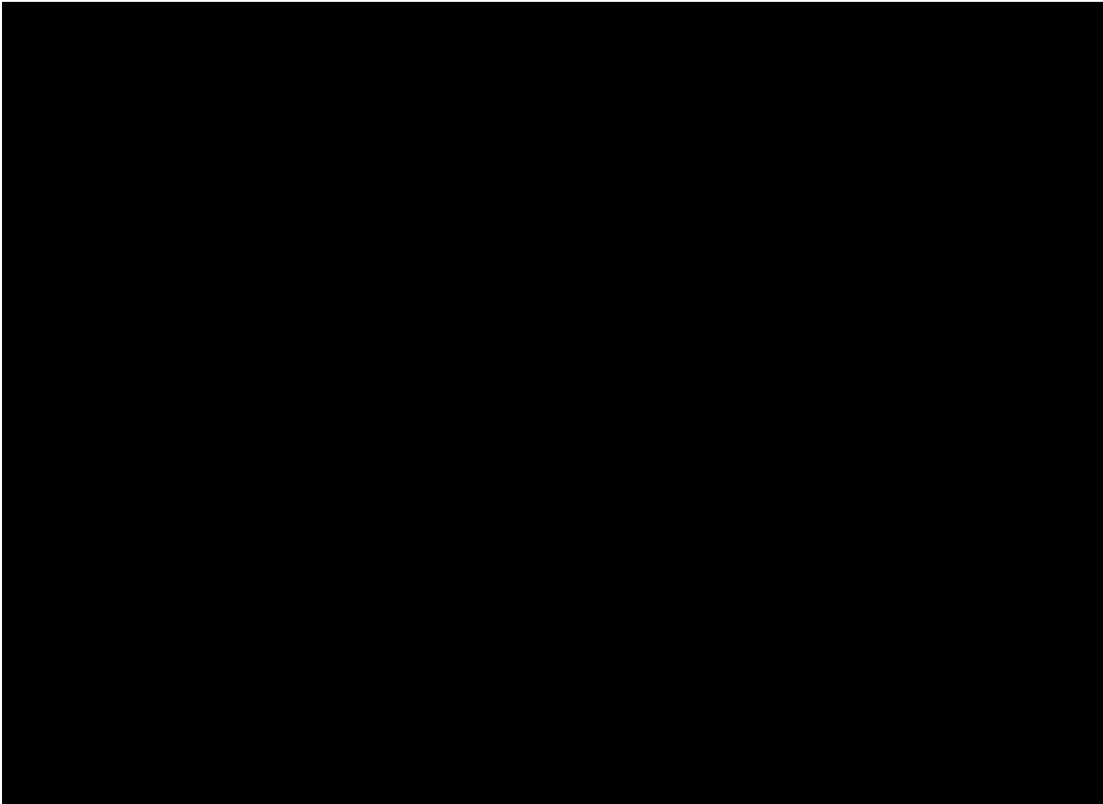
**Statement by Admiral Stansfield Turner,
Director of Central Intelligence,
Concerning Personnel Reductions in the
Directorate of Operations, CIA**

I. Why were the cuts necessary?

Soon after my arrival in the Agency last March, I began to hear that the Directorate of Operations was overstaffed. It was almost universally perceived within the Agency that the DDO had excess people, resulting in over management and under utilization of talent. Some organizations could tolerate this, but not an organization like the CIA where we are fortunate to have high-quality, dedicated and ambitious people. Nor, from a broader standpoint, is it tolerable to have unnecessary people on the taxpayers' payroll.

At that time the Directorate of Operations was already engaged in a three-phase restructuring and paring down program. I encouraged and received a report on their efforts in mid-July.

II. Determination of the size of the reduction.



STATINTL

III. Timing of the reduction.

Of the alternatives presented to me for phasing the reduction, I opted for the quickest, which was accomplishable over a two-year period. Given the changes the last few years have brought to the CIA, I felt it would be better for morale not to prolong this action. Extending the reduction over a six-year period might have made it possible to achieve the reduction through attrition alone, but that would have left an air of uncertainty hanging over the entire organization for that long period and in the end might not have brought about the reductions in the right places. In addition, I do not believe I could honestly face your Committee in its budgetary role and suggest that the Agency should retain such a considerable number of people in excess of its needs for six years.

On August 8, I announced this intended reduction—first privately to the employees and then publicly to the media. It was in turn well publicized in and outside the Agency. I further announced that we would notify those who were going to be asked to leave in Fiscal Year 1978 not later than the first of November 1977; that none of those persons would be asked to leave prior to the first of March 1978. Those being asked to leave in Fiscal Year 1979 would be notified by 1 June 1978 and not required to leave prior to 1 October 1978.

Between the time I notified CIA employees in August that there would be a reduction, and the first announcement to individuals on the first of November as

to who would be released, I received no complaints either as to the necessity for cuts or how they would be effected. Even since the announcement of who would be released, I have found no one in the Agency who seriously believes that a reduction is not in order.

IV. Who is to be released?

In deciding how to allocate the reduction across grades and skills, my end objective has always been to maintain at least as much clandestine intelligence capability as we possess today. We do not have a surplus of human intelligence collection capability, hence, there will be no meaningful reduction in overseas strength or activities, nor appreciable reduction in the size of the officer operational corps.

V. Method of selecting the individuals.

For those below the supergrade level, the individual's accumulated fitness reports were the basic determinants of who was to leave. The Agency's periodic evaluation boards numerically rank individuals within each grade level. These rankings combined with fitness reports were the basis for a point system. An explicit explanation of this point system was published for all personnel in the Operations Directorate in early October. Beyond this mechanical evaluation, a panel reviewed the calculations and used good judgment in making exceptions where unique skills needed to be retained. These were rare exceptions, however, and the rule of the numerical ranking was closely followed.

In June this year we initiated an annual process by which a senior panel composed of officers at the Executive position level rank all supergrades. The Director for Operations used these rankings as the basis for his recommendations on release of supergrades to me. Again, there were exceptions to the ranking order, but they were rare.

There are two additional points that I would like to make on these selections:

- As far as I can determine, there was no bias by type of service, agreement with current management, race or sex in the selection of these individuals. There were, for example, only 17 women, 4 blacks, and 3 Hispanics in the total of [REDACTED] forced reductions for Fiscal 1978.
- There is no question that we were forced to terminate some very capable people. The Directorate of Operations has been shrinking continually since our withdrawal from Vietnam. The majority of the marginal performers have already been eliminated. There is no way today to reduce further without asking very competent people to leave. This is unpleasant, unfortunate, but I believe necessary!

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STATINTL The method by which notifications were issued to individuals has been criticized. I regret that individuals may have been offended or felt that their prior service was not fully appreciated. Such is not the case. Everyone of these individuals has made sacrifices and many have endured privations and risks for their country. Being fully cognizant of their past contributions, we are determining whether any of these [redacted] people can be relocated in other directorates within the Agency to fill existing vacancies. Consequently, while individuals have received a notification that their release has been recommended, we are still exploring alternative employment possibilities. Until those alternatives have been exhausted, no final determination on their employment will be made.

I anticipate that 25% of these [redacted] people will be offered alternative positions. Additionally, I am personally approaching the chiefs of all the other intelligence services of our country to ask that they give the residual of these 212 special consideration in their hiring requirements.

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Finally, in a few cases, notices went to those who would be able to retire if permitted to serve a small amount of additional time. In these cases, we have arranged that no one will be forced to retire before the end of Fiscal Year 1979, when the program must be complete, if he would qualify for retirement by that time.

VII. Is there a security risk?

It has been suggested that the departure of sizable numbers of employees risk their being suborned by enemy intelligence agents. Frankly, I have too much confidence in their loyalty and dedication to take such a suggestion seriously. There was no such experience, to the best of my knowledge, under former Director James Schlesinger in 1973, when [redacted] employees were separated. Our unfortunate experiences with former employees violating their secrecy agreement have come entirely from individuals who have left the Agency of their own volition.

STATINTL

VIII. Next phase of the reduction.

The Fiscal 1979 cut will require approximately the same number of reductions, perhaps more if attrition does not meet expectations. We intend not to wait until the first of June and then send out all of the notifications at once but to commence notification as early as possible. None will be required to depart before the first of October 1978.

IX. Conclusions.

Many are concerned that this reduction may have hurt the morale of the Directorate of Operations. There is no question that in the short-term it has. The long-term objective, however, is quite the reverse; it is to rebuild morale by

ensuring operational efficiency and full utilization of talent. More than that, morale in the Directorate of Operations will be further strengthened through the sustained expression of support for its vital activities such as has come from this Committee and which also must come from a broader range of citizens. We must lift the pall of suspicion which hangs over the Intelligence Community in general and the Central Intelligence Agency in particular, which obscures the exceptional contribution these organizations have made in the past and are making today.

I would not have encouraged and approved this sizable reduction had I not thought that in the long run it would strengthen the Directorate of Operations and the Central Intelligence Agency. We need the capabilities of this Directorate as much today as ever. Although new technical means of collection permit us to extend our collection efforts, they only compliment, they do not supersede human collectors. Only human collectors can gain access to motives, to intentions, to thoughts, and plans. They will always be vital to our country's security.

It would have been much easier for me to have avoided this issue and attempted to continue over strength until you or the appropriations committees or the Office of Management and Budget uncovered these excesses and made the reductions in my behalf. Contrary to media reports, I was not directed to make these cuts either by the Vice President or David Aaron of the National Security Council staff as reported in some media. I have talked to neither on the subject except to keep the Vice President informed of my decisions. In sum, it is my opinion that I would have been avoiding my duty and would have been placing short-term considerations ahead of long-term necessities in putting the cuts off. We simply must build a foundation today for a Central Intelligence Agency that will be capable of continuing into the indefinite future the outstanding performance it has given our country during the past thirty years.

STATINTL



STANSFIELD TURNER
Director

Question 1

Q. (U) The proposed change in the regulations to require that service involving a substantial risk to the life or health of the employee, to be qualifying for CIARDS, must be in support of CIA operations abroad -- what practical effect will this change have? Specifically, would much of the domestic qualifying service in the past be eliminated?

A. (U) This change will have no effect - it will result in neither increase nor decrease in the crediting of qualifying service. As pointed out in our reply to Question No. 28 in Group A, it has always been considered that the service of the type that involves substantial risk to life or health was indeed in support of operations abroad. The fact that the words "in support of operations abroad" are not included in the existing regulation can be attributed to a concern for brevity; however, this requirement was and is always considered in crediting qualifying service. The revised regulation will include those words.

None of the domestic qualifying service credited in the past would be negated by the addition of these words to the regulation.

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Question 2

Q. (U) What is the breakdown for every year since the beginning of CIARDS for the number of employees designated (a) wholly on the basis of domestic service, and (b) partially on the basis of domestic service? What percentage was this of the total number of persons designated for CIARDS each year?

A. (S) The breakdown of CIARDS participants designated wholly or partially on the basis of domestic service is as follows:

<u>Calendar</u> <u>Year</u>	<u>60 Months</u> <u>Domestic Service</u>	<u>Partial</u> <u>Domestic Service</u>	<u>Percentage of</u> <u>Total Designa-</u> <u>tions for Year</u>
1965	-	-	0
1966	1	2	0
1967	-	3	1
1968	-	30	10
1969	6	54	11
1970	-	39	9
1971	2	26	5
1972	4	20	5
1973	2	24	7
1974	3	33	9
1975	6	29	12
1976	3	39	16
1977*	5	20	36
Total	<u>32</u>	<u>319</u>	

*Through 10/31/77.

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Total designations since the inception of CIARDS were [redacted] of which 351 were based wholly or in part on domestic service. This is [redacted] percent of the total. The percentage of domestic service cases approved is higher in 1977 since, as of late 1976, employees are no longer designated unless they have completed the full 60 months of qualifying service.

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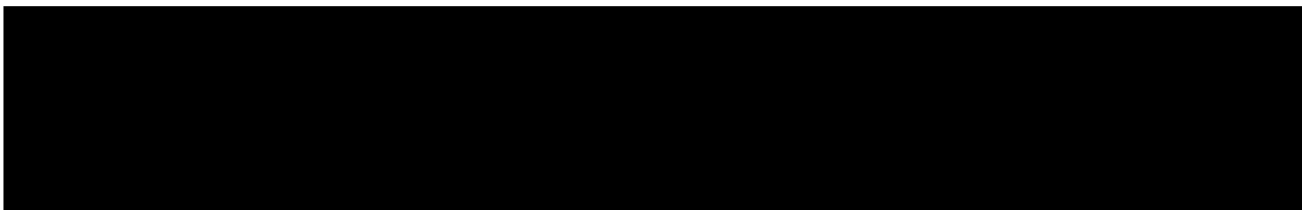
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Question 3

Q. (U) How many CIA employees have been killed or wounded overseas as a result of hostile action? How many of these were killed or wounded while serving in a paramilitary mode or while serving in an area in which open hostilities were in effect at the time of assignment?

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Question 4

Q. (U) Why would a secretary or communications officer overseas ever be considered to be engaged in service "so specialized because of security requirements as to be clearly distinguished from normal government employment"? While such service might be under "official" cover, it would not appear to involve the continued use of "tradecraft" or to be so sensitive that security requirements forbid disclosure of the service; why can the secretary or communications officer not acknowledge in a resume that he or she has worked for CIA for X years and his or her skills are that of a secretary or a communications officer?

A. (U) The overseas service of a secretary or communications officer is qualifying for CIARDS because it is so specialized because of security requirements as to be clearly distinguished from normal Government employment. The fact that the secretary and communications officer are serving under cover makes such service quite unlike normal Government service. Not only must such personnel live their cover twenty-four hours a day in order to protect themselves, but cover must be utilized to protect co-workers and the cover mechanism itself. Secretarial personnel, moreover, may be involved directly in operational work and compromise of cover may lead to the identification of Agency activities and personnel.

Although "tradecraft" is necessary overseas to protect cover, the tradecraft requirement found in Agency regulations relates only to a determination whether certain domestic service is qualifying for CIARDS.

Most secretaries or communications officers can acknowledge in their resumes, after they have either retired or resigned from CIA, that they had worked for the Agency. In fact, the majority of our retirees and resignees in these categories do describe, within certain limits, the fact of their Agency careers, types of work performed and skills developed.

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Question 5

Q. (U) The figures seem to indicate that the CIARDS retirees who have qualified solely on the basis of overseas service have an average length of Federal service of over 27 years but only 8.5 years overseas. How do these figures square with the assertion that CIARDS is basically designed to cover the overseas cadre whose skills and abilities are not required in the United States?

A. (C) Our figures indicate that the average length of overseas service for a CIARDS retiree was 9.2 years rather than 8.5 years as stated in the question. We assume that you derived your average figure from Table No. 6, which was provided to the Committee by Mr. Blake. Table No. 6 includes qualifying service credited for domestic service and overseas service. If the domestic service is deleted from this Table, only overseas service remains and the average is 9.2 years.

We emphasize that 9.2 years is the average; many retirees have had more service than that overseas and other retirees have had less.

While CIARDS was designed basically to cover persons who compile the requisite qualifying service overseas, this does not mean that all or even most of their careers must be spent overseas. At any one time, many CIARDS participants are on duty in the United States where their overseas operational experience is highly valuable. Most division, branch, and staff chief positions in the Directorate of Operations are regularly staffed by CIARDS participants rotated back from overseas. Many instructors in operations training courses for new officers (or refresher or specialized courses for other officers) are CIARDS participants rotated back to the United States for that purpose. In the Directorate of Administration also, many positions are filled by CIARDS participants whose field experience supporting various operational activities gives them added perspective when directing support to the field from Headquarters. It must be emphasized that rotational assignments of these types in the US do not constitute qualifying service for CIARDS officers so assigned and do not add to their qualifying service.

governing, and this causes variations in the patterns of overseas service.

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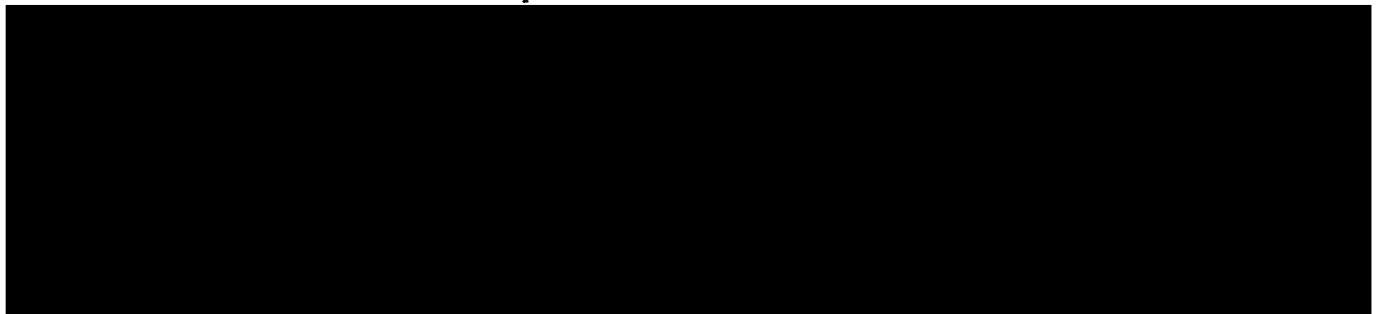
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Question 9

Q. (U) Why is a special retirement system necessary, or advisable, for persons who engage in activities overseas for which domestic CIA jobs are available, e.g., secretaries, communication officers, etc.?

A. (U) CIARDS is necessary for the operational cadre for the reasons given by Mr. Blake in his statement - namely, as a management tool to keep the operational cadre resilient, adaptable and vigorous; and to recompense its retired members for the hazardous or unique nature of their service.

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Question 10

Q. (U) Why should a person be designated for CIARDS if, at the fifteen year review with five years of qualifying service, his probable future work for the CIA would not involve qualifying service?

A. (U) When CIARDS was being drafted in the Congress, it was deemed necessary to establish a minimum requirement for the number of years of qualifying service needed to establish eligibility for benefits under CIARDS. The Congress established five years as that minimum requirement. The Congress also specified that an employee who had satisfied this requirement was to be entitled, on his 15th anniversary of Agency service, to elect to remain or not remain in CIARDS for the remainder of his career. It was not intended that an employee who satisfied the minimum requirement for eligibility would be disqualified if he did not perform additional qualifying service.

Five (5) years of qualifying service equate generally to something more than two tours overseas; however, the average of overseas service for CIARDS participants is 9.2 years.

Question 11

Q. (U) What percent of the Operations Directorate has accepted a commitment to serve anywhere in the world as needed? What percent of the Administration Directorate has accepted such a commitment?

A. (U) Of those employees in the Operations Directorate, 54 percent are currently participants in CIARDS and have therefore accepted a commitment, in writing, to serve anywhere, as needed. In the Administration Directorate 40 percent of the employees are participants in CIARDS and have likewise accepted this commitment. The majority of the other employees in the Operations Directorate and many in the Administration Directorate probably have personally accepted such a commitment as an integral part of their Agency careers.

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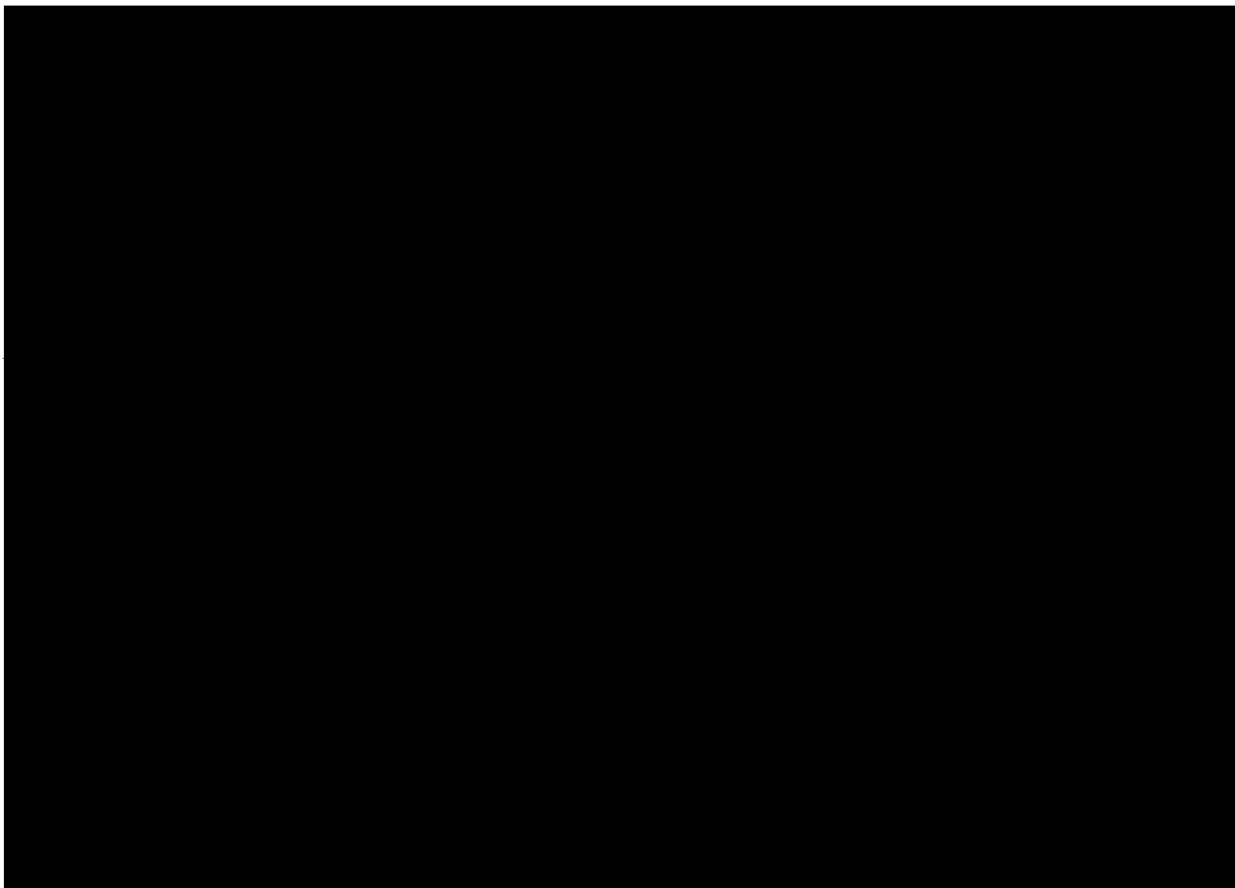
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Question 12

Q. (U) What percent of Operations Directorate retirees have retired under CIARDS? What percent of the Administration Directorate retirees have retired under CIARDS?

A. (S) The following reflects the number and percentage of employees, by retirement system, who retired from the Operations and Administration Directorates from FY-70 through FY-77. Specific statistics by Directorate were not maintained prior to 1970, therefore, information has not been presented for the period 1965-1969.

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Question 13

Q. (U) Approximately what percent of all CIA personnel who have accepted a commitment to serve anywhere in the world as needed are likely to become CIARDS participants?

A. (U) Only participants in CIARDS now agree formally and in writing to serve anywhere in the world as the needs of the Agency require. Although many other Agency employees personally are willing to serve wherever the Agency needs them, no formal requirement has been levied on them to do so officially. We are unable to provide an estimate of how many such employees would officially make such a commitment. Similarly, we are unable to estimate how many of these would ever become participants in CIARDS.

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Question 15 (continued)

CIA employees are eligible to receive, providing the criteria are met, the following allowances authorized by the Standardized Regulations (Government Guidelines, Foreign Areas): Post Allowance, Temporary Lodging Allowance, Foreign Transfer Allowance, Travel Per Diem Allowance, Supplementary Post Allowance, Educational Allowance for dependent children, Home Service Transfer Allowance, and separate Maintenance Allowance.

Question 16

Q. (U) In connection with your response that administrative, career and personal factors all play a part in determining personnel moves within the operational cadre, why doesn't the Agency keep its operational people overseas for longer periods than presently? Is there an historical trend here?

A. (U) Service overseas varies according to requirements for certain skills at posts, the cessation of such requirements, the career development of the employees, the relations of our country with countries of assignment, the need for specific individuals who have personal relationships with key personages in the country of assignment, the need for experienced personnel for assignments in the US, the need for retraining, or cutbacks in the American presence or commitment in a country.

These factors have resulted over the years in some participants spending most of their careers overseas and some spending less. We expect that this same pattern of service and assignment will continue.

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Question 17

Q. (U) Why, in relation to question 18 in Group A, are physical stamina and agility necessary for a secretary overseas? A communications officer? A chief of station?

A. (C) Mr. Blake pointed out in his statement that the characteristics sought among members of the operational cadre are resiliency, adaptability and vigor.

In our reply to Question 18 in Group A, we were responding to the connotation of the words "operating agent" used in the question; we assumed this referred to operations officers. In any case, experience in the management of the operational cadre confirms that the characteristics described by Mr. Blake are necessary in all the occupational categories that comprise the operational cadre, from secretaries to senior operations officers.

Apart from these characteristics, requirements for agility and stamina could often be present in certain occupations, at certain locations, and at certain times. An officer engaged in paramilitary activities would no doubt frequently be in situations requiring stamina and agility, as would a training instructor overseas conducting (for foreign agents) courses in paramilitary or evasion and escape activities. A secretary would not ordinarily be required to demonstrate agility, but in crisis situations requiring long hours of work without relief stamina certainly would be called for. Communications officers while not ordinarily under demands to exhibit agility, very often are in situations which tax to the utmost their stamina and ability to be effective under conditions of danger, pressure and fatigue.

Because of the Committee's interest in the working demands on communications officers overseas, we are glad for the opportunity to supply the following examples in which the need for stamina on the part of communicators is apparent. We believe the Committee will appreciate these descriptions which give some flavor to the situations enumerated.

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Question 20

Q. (U) Do you consider contract employees of the Agency to be CIA employees? If so, how does the process work? What are the conditions under which contract employees are admitted into CIARDS?

A. (U) Contract employees are employees of the Agency and the United States Government. They are employed under personal service contracts which specify that they are employees of the US Government and define their benefits, entitlements and obligations attendant upon such relationship.

Only career Agency employees may be participants in CIARDS. Contract employees may not be participants because their contracts are for specified periods of time and are not, therefore, career employees. They are covered by the Civil Service Retirement Act. There are two exceptions to this rule, however: (1) if a career employee who is vested in CIARDS converts to the status of a contract employee for the convenience of the Agency he remains a participant in CIARDS, and (2) in rare cases, if at the end of his employment with the Agency a contract employee's service has been of such duration and nature as to be judged to have constituted a career relationship, he may be put into CIARDS.

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Question 22

Q. (U) The DCI has indicated his intention to reduce the Operations Directorate of CIA by some [redacted] positions over the next two years. Assuming that some of the [redacted] will retire under the CIARDS, how will those people be chosen? Will they all be voluntary retirements or will some be selected out? If selected, who will do the selecting and by what criteria? Will those who are selected have the right of appeal and to whom will they be able to appeal?

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A. (U) The Operations Directorate is being reduced by [redacted] positions over a two fiscal year period. The personnel reduction will be effected by a combination of anticipated attrition (normal retirements and resignations) and some directed separations.

The anticipated normal attrition will consist of voluntary resignations and retirements. The directed separations will be accomplished in the following manner:

The individual career boards in the Directorate of Operations will again competitively evaluate all personnel (GS-8 through GS-15) by grade and functional category and will rank from high to low all employees in each grade. (It does not necessarily follow that the performance of all low-ranked employees is unsatisfactory.) Those who have been low-ranked over a period of years will be the first to be identified for separation. A point-value system has been developed to assist this identification process. Personnel in the super grades will be evaluated and ranked by a senior panel of officers at the executive level. Those identified will be notified by the DDO of his intent to recommend their separation.

Employees so notified may choose to retire or resign rather than accept formal letter of notification; in such cases, the employee must sign the application for retirement or letter of resignation within ten days.

Employees who do not choose to retire or resign are advised in writing by the Director of Personnel that they have ten days to appeal to the Director of Personnel the DDO's recommendation for their separation. They are also informed by the Director of Personnel that, if the employees so choose, the Director of Personnel will provide assistance in obtaining placement elsewhere in the Agency. If placement efforts are unsuccessful, and if any appeal submitted to the Director of Personnel during the ten day period has not been sustained, the

Question 22 (continued)

Director of Personnel will notify the employee that he intends to recommend to the Director that the employee be separated from the Agency. The employee is also notified at this time that he has the right to file an appeal to the Director.

Should the employee appeal directly to the Director, his appeal will be independently reviewed by the Inspector General. Following his review, the Inspector General will make his recommendation to the Director. The Director may then either approve separation or direct continued employment.

For further information of the Committee, attached is a copy of "Notes From the Director" (No. 17) to all Agency personnel explaining the reasons for the reductions and the method used to identify those employees to be separated.

Question 23

Q. (U) Who manages the CIA retirement fund? List the bonds, stocks, etc., in which CIA retirement funds have been invested over the past ten years.

A. (U) The Director of Finance of CIA has responsibility for the management of the CIARDS Retirement Fund. The CIARDS Fund, is by the requirement of the law that established CIARDS, invested only in securities of the Treasury of the United States. We can provide a schedule of such investments if the Committee wishes.

The CIARDS Fund has no investments in stocks or bonds or in anything other than Treasury securities.

Question 24

Q. (U) When was the last time the CIA retirement fund and investments were audited by someone outside CIA? Who conducted that audit? Please provide the Committee a copy of all such audits.

A. (U) The CIARDS Fund has never been audited by any party outside CIA.

Question 25

Q. (U) Has the GAO ever been involved in an audit of the CIA retirement fund? Has any Congressional Committee ever reviewed the CIA retirement fund and the investment of such funds? If so, which Committee(s) and when?

A. (U) The GAO has never been involved in an audit of the CIARDS Fund. No Congressional committee has ever reviewed the CIARDS Fund or its investments in Treasury securities.

CIA Comments on Testimony on CIARDS
Before the Subcommittee on Legislation of
the House Permanent Select Committee on Intelligence

During testimony on the CIA retirement act before the Subcommittee on Legislation certain questions and reservations were raised concerning the Agency's administration of the program. The purpose of this paper is to provide assurance to the Subcommittee on the matters discussed. The paper is organized in a series of headings which address the principal points raised.

Which Employees Should be Covered by CIARDS?

It was suggested that the only employees who should be put in CIARDS are individuals who are unfit for further service. Examples given were those who have been physically damaged, under such tensions as to have early breakdowns, or whose cover has eroded beyond usefulness, and, in addition, those who have experienced hazard to their health or lives.

The legislative history of CIARDS is revealing as to the views of the intended coverage by the System:

"...The new System would encompass only a portion of Agency employees and was intended to cover those engaged in the conduct and support of intelligence activities whose conditions were substantially similar to those of Foreign Service Officers." (Report No. 763, 88th Congress, 1st Session.)

[These are employees "obligated in writing to serve anywhere in the world according to the needs of the Agency, as in the case of the Foreign Service." (Congressman Mendel Rivers, Chairman of the Armed Services Committee, in his statement to the Rules Committee, 9 October 1963.)

"HR 8427 is a bill unanimously reported by the Armed Services Committee. Its purpose is to establish an improved retirement system for those employees of CIA who are concerned with the conduct and support of intelligence activities abroad." (Congressman Bates, Congressional Record, 30 June 1963, p. 19593.)

"The CIA presented convincing proof that those employees to be covered serve under conditions which are at least comparable with the Foreign Service and in many cases more dangerous and at great personal sacrifices to the employee." (Congressman Mendel Rivers, Congressional Record, 30 October 1963, p. 19590.)

There was, nevertheless, some minority sentiment expressed for the objective of adding a limitation to overseas duty:

"Congressman Gross stated that, "I support the proposal to give proper consideration to those engaged in work hazardous to life and health, but there I want to end." (Congressional Record, 30 October 1963, p. 19496.)

Later, in connection with a discussion of domestic service that would be qualifying, Mr. Gross attempted an amendment that would have limited duties in this country to those that would be hazardous to life and health. Mr. Gross's proposed amendment was rejected by a vote of 67 to 20. (Congressional Record, 30 October 1963, pp. 19600, 19601, 19602.)

The final bill as enacted provided, in Section 203, that coverage of CIARDS would be for those certain employees of CIA whose duties are (1) in support of Agency activities abroad hazardous to life or health, or (2) so specialized because of security requirements as to be clearly distinguishable from normal government employment.

The above cited passages from the legislative history, and the legislation as enacted, establish that, notwithstanding the minority views expressed, the Committee and ultimately the Congress (1) did indeed consider overseas service to be qualifying service, (2) did not view participation in CIARDS solely for those who had suffered hazard, breakdown and erosion of cover, and (3) did not limit participation as suggested.

The Congress has been aware that the Agency viewed overseas service in a broader sense, i.e., without any limitations. This may be concluded not only from the implementing regulation which was approved by the House and Senate Armed Service Committees but also from the record of the testimony of former Director Schlesinger to those committees in the spring of 1973:

In the House:

Mr. Nedzi: "Doctor, it might be useful at this point to explain to the Committee the difference

between Civil Service retirement and CIA retirement within the Agency and who comes under which retirement system."

Dr. Schlesinger: "The eligibility for the CIA retirement system applies to those who have served overseas for five years, or in special hazardous or unique missions for the Agency."

Mr. Hebert: "They must have that minimum of five years overseas?"

Dr. Schlesinger: "Yes, sir. Under CIA, that is one of the qualifying criteria."

(From transcript of hearing 30 March 1973, p. 13.)

In the Senate:

Senator Symington, who opened the hearings stated in his introduction that CIARDS "was enacted to cover principally those employees in the overseas service of CIA." (Transcript, p. 4.)

Senator Dominick: "Mr. Director, what type of personnel are we talking about here...?"

Dr. Schlesinger: "In this case, Senator Dominick, we are referring to those who are eligible under the CIA Retirement and Disability System. These are basically people who have served overseas for five years."

Senator Dominick: "So we are talking then, about men and women who have been engaged overseas?"

Dr. Schlesinger: "Yes, sir."

Senator Thurmond: "That is the only requirement? That they have served overseas?"

Dr. Schlesinger: "No, that is not the only requirement. The presumption has been that overseas service represents special service. There are other types of hazardous duties which would permit eligibility under the System."

(From transcript of hearing on 5 April 1973, p. 26.)

Dr. Schlesinger's comments make it clear that the Agency understood that overseas service is qualifying for CIARDS. The transcript contains no apparent disagreement with this understanding.

A feature in the benefits structure of CIARDS also argues against the limitation that only those unfit for further service may qualify for CIARDS. The CIARDS law provides for voluntary retirement of participants who satisfy eligibility requirements of age and service. Although the prior approval of the Director is required for voluntary retirement, there is no other requirement; with the approval of the Director, participants may retire at times of their own choosing and need not be declared unfit for further service.

The Use of CIARDS to Effect Management Overhauls.

It has been suggested that CIARDS had been used by Dr. Schlesinger to make a "management overhaul" in 1973 and that Admiral Turner is doing likewise in 1977. The record is quite different.

Dr. Schlesinger did not undertake a management overhaul in 1973. Instead, he ordered a reduction in personnel strength, Agency-wide, resulting in [REDACTED] separations. Some of those separated were able to retire but others resigned prior to eligibility for retirement. Of those retired, some were covered by CIARDS and some were covered by the Civil Service System. Participation in CIARDS was not a factor in individual separation decisions nor in the larger policy decision to reduce personnel strength.

The present reduction, ordered by Admiral Turner, is being made solely in the Directorate of Operations. Again, however, the separation procedures have been established without regard to retirement systems. It is, of course, true that the majority of those to be separated are participants in CIARDS. This is understandable because the Operations Directorate, comprised principally of operations personnel, is oriented mainly to the performance of service that qualifies for CIARDS.

Is CIARDS a Tool of Management?

A few quotations from the Congressional Record of 1963 suffice to show that the original Committee did regard CIARDS as a tool for the management of the operational cadre.

Report No. 763 of the 88th Congress, 1st Session, has on pages 8 and 9, a section on "Man-power Control" which describes the management uses intended for CIARDS. This Section states that the Agency has a need to insure appropriate alignment as to age, qualifications and other characteristics

of its employees engaged in conducting or supporting foreign intelligence activities; that this will involve the removal of some employees in order to maintain an alignment; that employees so removed should be provided with a more equitable annuity in recognition of their service and to ease their return to the civilian labor market; that this will enable the Agency to recruit and maintain high calibre personnel as their replacements; and that the new system (CIARDS) would assist the Agency in these aims. Obviously, this Section is devoted to describing the management of the operational cadre, and as CIARDS is a useful program in this regard it is a tool of management.

Congressman Mendel Rivers: "I believe this new system will be an extremely valuable tool in management of the Agency." (Congressional Record, 30 October 1963, p. 19591.)

Congressman Bennett: "My membership on the CIA Subcommittee has given me considerable insight into the personnel problems and the management aspects of the intelligence business. We must give the Agency the tools it needs to accomplish the extremely difficult mission it is assigned." (Congressional Record, 30 October 1963, p. 19594.)

Mr. Rivers again: "The Agency needs to maintain a young service...to provide for the adverse effects of managed attrition...and to preserve the ability to recruit and retain high calibre personnel."

Congressman Arends: "...By this legislation we seek to insure a continuing virility in one of the most important agencies of the Government." (Congressional Record, 30 October 1963, p. 19595.)

Congressman Ogden Reid: "It is high time the CIA should have a career retirement system similar to the one that the Foreign Service enjoys. There is a clear need to establish and maintain a young career intelligence service." (Congressional Record, 30 October 1963, p. 19596.)

It seems clear from the legislative history that the Congress did understand that CIARDS would be used as a management tool. It must be emphasized, however, that it is a management tool only with respect to the operational cadre, those "certain employees" who perform duties that are hazardous to life

and health or clearly distinguishable from normal Government employment. Mr. Andrew Ruddock likewise described CIARDS in his report of 1976. Within the context of the statute and as applied only to the operational cadre, the Agency most definitely regards CIARDS as a management tool.

Is the Present Number of Participants in CIARDS Too High?

It has also been suggested that the number of participants in CIARDS is too high in relation to the extent of the Agency's activities today in the operational field. We would point out in this regard that while the number of participants in CIARDS varies in direct proportion to the level of operational activity overseas, there is not a "real time" correspondence between the two. For example, during the period of heavy commitments to Southeast Asia, large numbers of Agency personnel served overseas and qualified for CIARDS. When the involvement in Southeast Asia was terminated abruptly, the number of participants did not immediately diminish; there was necessarily a time lag between the cessation of activities in Southeast Asia and retirement or resignation from participation in CIARDS. Gradual attrition and a reduced number of employees qualifying for the System due to reduced overseas activities account for the downward trend in the number of participants. The number will be reduced further over the period of the present and next fiscal years as a reduction in personnel takes place in the Directorate of Operations. Whether or not the downward trend will persist over the long term depends on our Government's foreign policy and the role given the Agency in the furtherance of that policy.

Has CIA Used the Statutory Criteria for Purpose Not Intended by Congress?

It was pointed out to the Subcommittee that Congress had purposefully written the statutory criteria in vague fashion and there was concern that this has given CIA the opportunity to use the System in ways other than were intended.

It is true that the criteria were written in vague fashion because the Congress did not want to spell out sensitive security matters in a public document, and the vagueness did cause some uneasiness within the Committee. Congressman Gross, for example, opined that the language "...specialized because of security requirements..." would eventually "cover everybody in CIA" because CIA was a security agency. Congressman Hardy, also on the Committee, stated that "if this (CIARDS) is put into effect, you wouldn't have many CIA Directors before this thing would

STATINTL cover everybody in CIA." In fact, some seven Directors later, CIARDS participation is only a minor percentage of Agency strength and has remained fairly constant at roughly the level of Agency strength estimated by the Agency, and considered by the Congress, in 1963. Indeed, the number of retirements has fallen well short of the total quota authorized by Congress. In sum, the record shows that Congressman Gross's and Congressman Hardy's fears were ill-founded.

Congress and the CIA agreed to the intent of the statutory criteria. Nevertheless, Congressman Jones proposed an amendment, unanimously approved, requiring the CIA to clear with the Chairman and the ranking minority members of the House and Senate Committees the internal CIA regulations to be used to establish CIARDS. It should be noted further that the Agency, concerned to administer the System in accordance with the intent of Congress, submitted the proposed regulations in 1965 to the law firm of Caplin, Battle and Harris for review. The law firm went on record as saying that the regulations expressed the intent of Congress; the regulations were then submitted to the Chairmen and ranking minority members of the House and Senate Committees and were approved. STATINTL

The original estimate that CIARDS would cover [redacted] of Agency strength, while intended as neither a floor nor a ceiling to participation, turned out generally to have been a good estimate, although participation did exceed that range as the result of large-scale deployments to Southeast Asia whereby large numbers of employees performed service of the type the CIARDS law specified as qualifying for CIARDS.

Domestic Service as Qualifying for CIARDS.

It was further suggested that the committee that considered the proposed CIARDS in 1963 and 1964 did not contemplate the idea that some types of domestic service could qualify under CIARDS. This suggestion implied that the Agency is awarding CIARDS for the performance of classified duties in the United States. It should be pointed out that if CIARDS was awarded on that basis, the fear expressed by Congressman Gross in 1963 would have come true long ago. The fact is that of all the employees designated for CIARDS, only 4.2% were designated on the basis of all or partial domestic service. Obviously, CIA has many more than 4.2% of its employees engaged in classified work. In fact, the Agency does not regard the performance of classified duties, per se, as qualifying for CIARDS; instead, only service of the types covered by the statutory criteria is credited as qualifying service.

The committee which established CIARDS did indeed consider domestic service in relation to CIARDS and the amendment proposed by Congressman Gross (referred to earlier) reflects the understanding that some service covered by CIARDS would be service in this country. As already reported, his proposed amendment was defeated and the criteria in the bill were retained. The statement of Mr. Mendel Rivers to the Rules Committee on 9 October 1963 includes this sentence which also indicates that some employees will be covered for service that is not performed abroad:

"Generally, only those career employees will be covered whose careers are primarily oriented toward the conduct and support of intelligence activities abroad."

STATINTL It will be useful here to describe how these two statutory criteria were developed. In early discussion before the House Armed Services Committee which was considering the proposal for a CIA Retirement System, the then Deputy Director of Central Intelligence (General Marshall Carter) and the then Legislative Counsel of CIA [REDACTED] explained that the proposed system would cover certain types of activities within the United States. In this regard, they described two types of situations:

Those in which the duties were so unique that they could not be adequately described for a prospective employer and in which the skills were not readily marketable, and

Those in which security considerations involving cover within the United States rendered an individual's services and his personal life unlike normal Government employment.

STATINTL On 9 October 1963 after the Committee reported favorably on the proposed CIARDS Bill, the Chairman Mendel Rivers, appeared before the Rules Committee to recommend action on the floor of the House. At that time, several members of the Rules Committee commented on the absence in the Bill of any statutory criteria, however general, as to which employees of CIA would be brought into the System. Mr. Rivers promised that appropriate language would be developed.

As a result of Chairman Rivers' promise, General Carter and [REDACTED] met on 10 October with Congresswoman Katherine St. George of the Rules Committee. In discussion of the matter of criteria with Mrs. St. George, they requested that the statutory criteria not be limiting to just hazardous and overseas duty; they explained that there would be some domestic service which would fit the requirement for qualifying service, as they had explained to the Committee previously. The

discussion with Congresswoman St. George produced the following language as criteria:

"The Director may designate from time to time such Agency officers and employees whose duties are determined by the Director to be (1) in support of Agency activities abroad hazardous to life and health, and (2) so specialized because of security requirements as to be clearly distinguishable from normal government employment, hereafter referred to as participants, who shall be entitled to the benefits of this system." (This language eventually became the first sentence of Section 203 of the Act.)

This language (The "Rivers Amendment") was adopted by the Rules Committee and offered on the floor of the House on 30 October 1963. In support of this language during discussions on the floor, Chairman Rivers made several clarifying and supporting statements:

"It has also developed in the hearings, and with actual cases as examples furnished in executive session, that career employees whose duties are so specialized that they are placed at an unusual disadvantage when required to seek other employment would also be covered by this system."

"In certain phases of the Agency's activities there are requirements for unusual specialities requiring long years of arduous training for which skills there could be no utilization in normal employment pursuits."

"We learned of certain situations where, through no fault of the employee, his skills and he himself, became excess to the needs of the Agency or for certain reasons he could no longer be utilized effectively by the Agency. These are the people who will be covered--not the clerk, analyst, or researcher who spends his career in Washington."

Chairman Rivers also explained that his amendment, in furnishing statutory guidelines to the Director, had to be written without at the same time imposing undue rigidity (on the Director)..." in the selection of participants. The Chairman went on to say that the language is "...satisfactory to those members with whom I have consulted and is also agreeable to other members of the Armed Services Committee with whom I have consulted."

It was clear even to the opponents of the Rivers' amendments that domestic service could be included as qualifying service. While no objection to domestic coverage was raised, Mr. Gross proposed a substitute amendment to cover domestic service only if it were hazardous to life or health, as follows:

"The Director may designate from time to time such Agency officers and employees whose duties are determined by the Director to be in support of Agency activities abroad or in this country that are hazardous to life or health."

Mr. Gross said that the Rivers' Amendment would "...leave the Director of CIA the full determination of normal Government employment..." and that the language "so specialized because of security requirements..." would cover anyone employed by CIA. The rejoinder to Mr. Gross was made by Mr. Bates, ranking minority member of the Armed Services Committee and the CIA Subcommittee, who said that CIA "...spelled these things out (defining unusual types of individuals who would be covered by the system) in detail not only with reference to those engaged in hazardous work but also engaged in fields so specialized that they were very difficult to obtain." In response to a query to spell out "specialized fields," Mr. Bates said that "the answer to the question ... would impair the national security." Mr. Gross's proposed amendment was rejected by a vote of 67 to 20.

While the House agreed that precise language could not be supplied without unduly impairing the national security or the Director's flexibility in determining who was to be covered by the system, the House wanted to be assured that the Armed Services Committee would police CIA in its application of the general statutory criteria which it approved. In this connection, an amendment by Congressman Jones was adopted without debate which required that the rules and regulations issued by the Director to establish the system be approved by the Chairman and ranking minority members of the Armed Services Committee of the House and Senate before they became effective. This has become known as the Jones Amendment.

The regulations, drafted by the Agency and approved by the Chairmen of Committees, included the following definition of qualifying service in paragraph 11:

"Qualifying service means performance of duty as an Agency employee:"

(a) under conditions of employment which include a demonstrable hazard to life or health in the conduct or support of covert action

operations abroad, or espionage and counter-intelligence activities abroad, or other intelligence activities abroad; or

(b) under conditions of employment requiring the continuing practice of most stringent security and covert tradecraft procedures to maintain personal cover in the conduct or support of cover action operations or espionage and counter-intelligence abroad; or

(c) on a continuing basis which would place the individual at a distinct disadvantage in obtaining other employment either because (1) the skills and knowledge are unique to the clandestine activities of the Agency and are not in demand elsewhere, or (2) the duties are so highly classified that his experience cannot be described in sufficient detail to demonstrate his qualifications to a prospective employer."

These criteria in the Agency's own regulation, more detailed than the statutory criteria of the Rivers' Amendment, were intended to cover domestic as well as foreign activities. In consideration of the circumstances in which the Jones Amendment was adopted and the legislative intent developed on the question of the criteria, the statements in (a), (b), and (c) above are considered for all practical and legal purposes to be incorporated into the CIA Retirement Act. There is no question, then, that domestic service under these circumstances may be considered qualifying service in the system.

The report of the Senate Armed Services Committee dated 21 September 1963, points out, on page 9, that in order to be designated a participant, an employee must meet one of the two statutory criteria in Section 203. The Senate report continues: "It is contemplated that the overwhelming portion of participants in the system will be involved in duties outside the United States." This language implies a recognition that some employees will become participants for being involved in duties not outside the United States; it makes clear, therefore, that qualifying service could include domestic service.

Was "Tradecraft" Considered by the House Armed Services Committee as Justification for Qualifying Service?

It was pointed out to the Subcommittee that the word "tradecraft" was not discussed before the Armed Services Committee in justification for qualifying service. We offer two comments on this statement:

The full Committee may not have considered "tradecraft;" however, the Agency regulation which was approved by the Chairmen and ranking minority members of the House and Senate Committees in 1965 contained, in paragraph 11(b), the word "tradecraft" in the context of the conduct or support of covert action, espionage and counter-intelligence operations abroad.

The Agency has never considered that tradecraft per se would be qualifying for CIARDS. It is the practice of tradecraft that is qualifying, and the second of the two statutory criteria covers types of service in which the practice of tradecraft would be an ingredient.

The Role of the Director in the Administration of CIARDS.

The view was expressed that the Director should personally be the authority to approve the entry of an employee into the CIARDS. We think this would be an unnecessary administrative burden on the Director.

The system since its inception has been managed under authorities delegated by the Director of Central Intelligence to the Director of Personnel and to the Director of Finance with respect to the administration of the system and the CIARDS Fund, respectively. These delegations were included in the regulations approved by the Congress. Agency records, which can be made available for scrutiny by the Committee, will support the fact that the Agency has been meticulous in observing the statutory criteria and its own regulations over the years of the existence of CIARDS. The independent reports of Mr. Andrew Ruddock confirm that the Agency had administered CIARDS in line with the intent of Congress.

The authorities delegated have not been exercised without direction or limitation. The CIARDS law and the regulation approved by the Congress in 1965 have been and continue to be the principal direction and superintendence; the body of experience developed by the CIARDS Board and the codification

of decisions and actions taken by the Director of Personnel comprise institutional memory and guidance; the system of appeal includes recourse to the Inspector General and involves the Director personally in review of various aspects of the practical administration of CIARDS and decisions made at lower levels. From time to time the Director has required reports or briefings on the system; and, since 1976, reports of the administration of CIARDS have been submitted by the Director to the Congress.

In his report for 1977, page 14, Mr. Andrew Ruddock commented on various evidences of the interest of the present Director, Admiral Turner, in the administration of CIARDS. Mr. Ruddock observed that "This interest in CIARDS continued the pattern of personal concern and involvement established by his [Admiral Turner's] predecessors in office."

We submit that the record will show that CIARDS is being administered effectively and responsibly under authorities delegated by the Director, that the Agency has clearly followed the spirit and the letter of the CIARDS law, and, finally, that the Agency is responsive to suggestions and directions of the Congress in the exercise of its oversight responsibilities.